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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1984

Product	July 1984	Jan-July 1984	% Jan-July 1984 over % Jan-July 1983
Electricity (bil.kw.hrs)	111	860	105
Petroleum (incl. gas condensate) mil. tons	52.2	359	99.9
Natural gas (bil.cu.mtrs)	47.3	335	109
Coal (mil. tons)	58.8	420	99.7
Steel (mil. tons)	12.9	90.7	102
Fertilizer (mil.tons)	2.4	18.0	103
Metal-cutting tools (mil.rubles)	189	1384	109
Robots(100s)	0.9	7.8	139
Computer Tech (mil. rubles)	0.3	2.1	113
Automobiles (1000s)	110	771	101
Tractors (1000s)	4.0	29.3	103
Paper(1000 tons)	0.5	3.4	104
Cement (mil. tons)	10.9	75.8	102
Meat (mil.tons)	0.7	5.3	109
Margarine (1000 tons)	30.1	802	95
Watches(mils)	5.4	39.0	96
Radios(mils)	0.8	5.4	101
Television sets (millions)	0.7	5.2	105

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1984

On the whole, industrial production in the Soviet Union seems to be doing quite well. Surprisingly enough, economic growth seems to be comparable to or superior to that achieved last year at this time in most industries. There are very few exceptions. The most notable exception is petroleum. Petroleum production in July 1984 was only 99.9% of that of a year ago. In contrast, however, coal production in July was up 1.3%, even though for the whole 7 month period it is still a fraction below what it was for the 7 months of last year. Similarly, the cement industry seems to be somewhat less buoyant than it was a year ago, but otherwise most production growth indices are higher than they were last year. In an extreme case, gas production continues to be 9% ahead of where it was last year at this time. In contrast, last year natural gas production was up only 7%.

One of the most surprising reports is that the livestock herds or at least the chickens and some forms of cattle production, continue to be higher than they were last year. There is some slaughter going on among some types of cattle and among goats and sheep, but chicken and other kinds of cattle now exist in larger numbers than before. What is intriguing about that is the report that the Soviets are facing a very poor harvest this year. The desire to sustain those livestock herds is evidently one of the reasons why they are importing so much corn.

NEW CORPORATE SPONSOR SERIES

For the ninth year in a row, the Russian Research Center announces its Corporate Sponsor series. The first seminar of the year will focus on Energy in the Soviet Union. The session will take place on October 22nd, at the Harvard Faculty Club. We will examine the availability of energy supplies in the Soviet Union, and the impact of Soviet energy sales on the rest of the world.

A copy of the program is enclosed along with a registration form. There may be one or two speakers from the U.S. government who will be in attendance.

The RUSSIAN RESEARCH CENTER takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the author, Marshall I. Goldman

THE RUSSIAN RESEARCH CENTER 1984

JOURNALIST ORIENTATION

For the last three years, the Russian Research Center has sponsored an orientation designed primarily for journalists. The hope is to provide journalists with a general background about the Soviet Union to aid them in their covering of the news inside the Soviet Union, and their editing of the news in this country. Unlike our usual seminars we meet the whole day through dinner, and a discussion afterwards. The special guests this year will be David Shipler, author of a best-selling book on the Soviet Union, and a former bureau chief of the New York Times in Moscow; Marvin Kalb, who is the diplomatic correspondent for NBC News; and Samuel Rachlin. Mr. Rachlin is the Danish television correspondent in Moscow who is presently on leave at Harvard as a Nieman Foundation and Russian Research Center Fellow. The program is also included in this Newsletter, along with a registration form.

AMERICAN--EAST EUROPEAN TRADE BALANCES

It is noteworthy that the U.S. trade balance with Eastern Europe for the first six months of 1984 shows that the United States now has a negative trade balance. This first appeared in 1983, and it continues into 1984. This is largely due to the cutback in our exports to Poland, because of Soviet pressure on the Solidarity movement.

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CURRENCY FIGURES

Rubles Purchased Per 100	Aug. 1983	July 1984	Aug. 1984
Austrian shilling	4.09	4.12	4.09
U.K. pound	114.87	107.80	108.72
W. German mark	28.73	28.93	28.71
U.S. dollar	75.50	82.50	83.15
French franc	9.55	9.43	9.36
Japanese yen	.311	.340	.338
Italian lira	.0482	.0472	.0467
Swiss franc	35.27	34.22	33.75

The currency exchange rates released by Gosplan for August 1984 reveal that over the course of one year the Japanese yen and the U.S. dollar have steadily increased while all others have shown a decrease, with the exception of the Austrian shilling and the West German mark, which have fluctuated but are essentially the same as a year ago. The U.K. pound shows the biggest drop.

THE SOVIET UNION

Poor harvest good news to US

Oil-rich Soviets undercut OPEC prices to get money to buy needed grain

By Marshall I. Goldman
Special to The Globe

Soviet foreign trade officials were very busy on July 27. In two seemingly unrelated moves, officials of the misnamed Exportkhleb (the Grain Export Trading Company) went into the grain market to purchase some more corn, while their counterparts in the Nafta (the Soviet Petroleum Export Company) reduced its export oil prices by $1.50 to $27.50 per barrel.

That undercut the price that OPEC (the Organization of Petroleum Exporting Countries) has been trying to sustain by 5 percent. It should be good news for American oil importers, who are affected not only by the impact of cuts on the general price level but by the lower prices on the approximately $100 million worth of oil the United States is likely to import from the Soviet Union this year.

This is not the first time the Soviets have undercut the world price. They did it consistently in the 1950s. In part, the price cutting precipitated the formation of OPEC by the oil producers. At the time, some Western officials saw Soviet actions as an effort to destabilize the major oil companies and even the existence of NATO. It turned out, however, that the Soviets found that the only way they could break into Western markets was to cut prices.

Their motives in lowering prices now are different. Since the Soviet Union is the world's largest oil producer and the world's second or third largest petroleum exporter, it has a vested interest in promoting higher petroleum prices. The higher the prices, the more hard currency the Soviet Union earns and the less it needs to export to earn the convertible currency it needs.

Since about 60 percent of its convertible currency is earned from the export of petroleum, petroleum price levels are no minor matter. That helps to explain why it is that the Soviet Union frequently finds it desirable to cheer on OPEC members when they raise prices and to reassure them when they worry about offending petroleum consumers. Although recently, OPEC's ability to raise prices has been diminished by the overproduction of its members and increased conservation by the world's consumers. Periodically, there have even been rumors that the Soviet Union might join in some OPEC-like group to curb oil production and thereby raise prices even more.

Given their interest in maximizing petroleum export revenues, why has the Soviet Union now taken the lead in cutting prices? In large part, the answer can be found in the announcement by US grain dealers that the Soviet Union has stepped up its purchases of grain. This means the Soviet Union has an additional need for convertible currency.

It is believed the Soviet Union will have to import 40 million tons of grain this year. This is predicated on the fact that this year's Soviet grain harvest will reach only about 180 million tons, about 60 million tons less than the 240-million ton goal. Inevitably, a share of the shortfall will have to come from the United States. Soviet purchases already have exceeded the 12 million ton maximum permitted by the most recent US-Soviet grain agreement. One American grain dealer says the Soviet Union already has obtained special permission from the US government to exceed the maximum, and he believes that they will have to import equally large amounts next year.

Since the Soviet Union has had six consecutive bad harvests, the need for such substantial imports is no surprise. However, the fact that they are buying so much from the United States is.

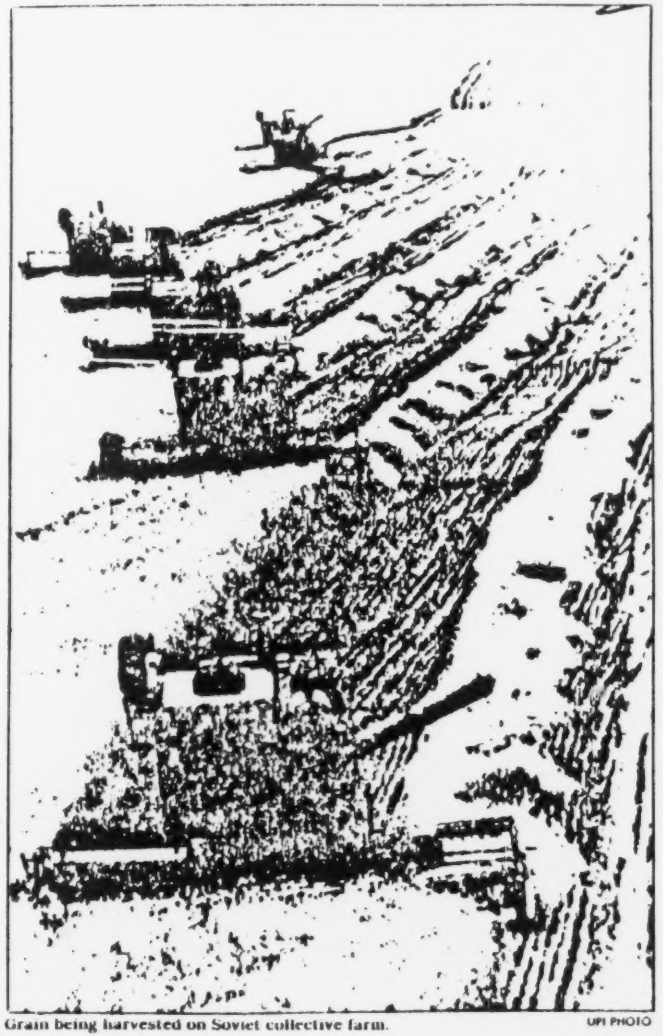
After the United States imposed a grain embargo as punishment for the Soviet invasion of Afghanistan, the Soviets purposely shifted most of their grain purchases elsewhere. Now it appears that the Soviets are in particular need of corn as animal feed. Fortunately for the United States, Argentina, Australia and Canada – the countries that have been supplying most of the grain bought by the Soviets – are not large producers of corn. Thus a large share of our most recent shipment to the Soviet Union has been corn. For the first five months of 1984, our corn shipments were almost $500 million higher than they were in a similar period last year. In the meanwhile, in a belt-tightening measure, the Soviet Union cut back by a combined total of about $300 million its first quarter grain imports (mostly wheat) from Canada, Australia and Argentina.

Another surprise about the Soviet purchase is that the Soviets have bought a record amount for July, August and September delivery. Normally, they import very little at that time of year because Soviet transportation facilities are congested from having to handle their own domestic harvest. Soviet imports this year thus suggest the Soviets are in grave need of such supplies – probably to prevent premature slaughter of their livestock.

In sum, the fact that the Soviet harvest is about 25 percent below expectations and that the Soviet Union at about the same time takes the lead in cutting petroleum prices is more than a coincidence.

The Soviets also took the lead in cutting petroleum prices in 1982. This helped to precipitate one of the most serious challenges to the OPEC price system since 1978, and again it coincided with a significant drop in the Soviet harvest. At some point, Soviet harvests should begin to increase, and energy demand may grow so that the Soviet Union may find that it can earn the extra petroleum revenue it needs without cutting prices. But for the time being, poor harvests in the Soviet Union are good not only for American farmers but also for oil consumers.

Marshall I. Goldman is professor of economics at Wellesley College and is acting director of the Russian Research Center.



Grain being harvested on Soviet collective farm. UPI PHOTO

U.S. domestic exports

(In thousands of dollars; f.a.s. value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
USSR							
0 Food & live animals	2,282,987	971,744	1,600,140	1,642,161	1,194,970	637,814	1,032,085
1 Beverages & tobacco	2,445	2,773	400	2,979	874	152	79
2 Crude matl--inedible,not fuel	584,166	56,187	59,350	214,249	264,583	132,921	140,548
3 Mineral fuels, lubricants, etc	23,436	26,473	62,840	90,013	22,571	12,858	13,793
4 Oils & fats--animal & veg prod	73,395	28,148	56,089	40,565	21,507	8,798	29,006
5 Chemicals	135,474	31,560	180,220	287,846	239,398	104,238	98,222
6 Mand goods by chief material	48,534	34,458	32,871	25,961	29,755	14,058	10,428
7 Machinery & transport equip	382,535	268,795	300,814	225,458	149,452	68,471	64,723
8 Miscellaneous mand articles	109,774	88,880	45,371	59,129	78,422	36,016	25,397
9 Commodities & transactions nec	1,076	708	722	614	2,419	696	1,073
Total	3,603,821	1,509,747	2,338,818	2,588,975	2,001,951	1,016,023	1,415,353

U.S. imports for consumption

(In thousands of dollars; customs value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
USSR							
0 Food & live animals	1,043	1,814	2,675	5,236	17,488	2,454	8,724
1 Beverages & tobacco	7,455	5,612	8,446	9,961	11,744	6,378	3,633
2 Crude matl--inedible,not fuel	33,151	15,503	17,820	9,511	11,481	6,487	7,119
3 Mineral fuels, lubricants, etc	16,113	11,232	108,795	10,356	55,968	54	39,096
4 Oils & fats--animal & veg prod	7	1/	19	5	1	0	1
5 Chemicals	67,626	148,038	93,509	117,307	144,417	67,259	109,893
6 Mand goods by chief material	161,189	125,812	100,241	60,555	88,031	35,210	53,452
7 Machinery & transport equip	4,409	3,444	2,387	1,579	3,382	1,557	1,064
8 Miscellaneous mand articles	32,128	29,843	2,860	9,053	8,259	1,669	2,699
9 Commodities & transactions nec	549,728	89,949	22,673	5,230	2,322	1,167	942
Total	872,849	431,246	357,424	228,792	341,093	122,235	224,622

U.S. domestic exports--Continued

(In thousands of dollars; f.a.s. value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
Eastern Europe							
0 Food & live animals	1,258,977	1,516,459	1,372,971	474,670	321,173	150,468	136,159
1 Beverages & tobacco	17,185	23,320	26,503	11,245	21,763	9,438	5,135
2 Crude matl--inedible,not fuel	385,352	335,508	176,576	206,588	254,519	167,695	212,326
3 Mineral fuels, lubricants, etc	35,621	81,752	41,107	17,399	16,201	5,190	10,644
4 Oils & fats--animal & veg prod	29,405	10,455	14,389	18,465	13,482	7,270	7,497
5 Chemicals	67,569	58,082	78,417	79,194	67,351	13,722	21,175
6 Mand goods by chief material	37,857	60,219	30,088	23,060	25,080	11,709	13,094
7 Machinery & transport equip	181,020	196,125	121,417	107,529	84,964	49,391	31,805
8 Miscellaneous mand articles	38,734	45,725	28,090	35,935	27,638	13,900	11,836
9 Commodities & transactions nec	4,466	5,288	8,472	24,301	44,525	18,542	22,447
Total	2,056,187	2,332,933	1,898,029	996,387	876,695	447,326	472,118

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

U.S. imports for consumption--Continued

(In thousands of dollars; customs value basis)

Country/Commodity	1979	1980	1981	1982	1983	January-June--	
						1983	1984
Eastern Europe							
0 Food & live animals	240,930	225,312	179,507	134,417	162,492	94,698	80,845
1 Beverages & tobacco	23,875	20,233	24,481	23,849	34,951	21,415	13,304
2 Crude matl--inedible,not fuel	20,158	14,587	14,858	9,329	9,584	5,671	4,335
3 Mineral fuels, lubricants, etc	76,962	55,623	151,759	99,431	281,788	94,477	238,676
4 Oils & fats--animal & veg prod	1,575	1,996	1,047	430	0	0	0
5 Chemicals	46,144	46,885	36,371	33,327	53,305	28,828	54,230
6 Mand goods by chief material	178,071	190,720	327,331	148,040	154,109	69,182	126,631
7 Machinery & transport equip	171,693	188,547	231,946	144,951	107,919	50,090	65,867
8 Miscellaneous mand articles	219,730	210,557	213,629	222,641	202,014	95,595	99,812
9 Commodities & transactions nec	3,840	2,193	3,937	7,275	4,318	1,239	2,261
Total	982,979	956,654	1,184,865	823,691	1,010,479	461,195	685,961

1/ Value or quantity less than 0.5.

SOURCE: Compiled from official statistics of the U.S. Department of Commerce.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE
FOR THE FIRST QUARTER OF 1984

(in million rubles)

	Exports from U.S.S.R.			Imports to U.S.S.R.		
	1982	1983	1984	1982	1983	1984
Bulgaria	1105	1357	1517	1134	1327	1405
Czechoslovakia	1161	1421	1563	1247	1341	1468
GDR	1358	1641	1754	1507	1607	1935
Hungary	838	952	1123	837	899	1005
Poland	1115	1258	1369	893	1187	1263
Romania	346	433	499	432	444	452
	5923	7062	7825	6050	6805	7528
	-127	+257	+297			